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ED/EC M-245

June 24, 1957

EXECUTIVE COMMITTEE OF THE
ECONOMIC DEFENSE ADVISORY COMMITTEE

MINUTES

2:30 p.m., Monday, June 17, 1957
Room 1213 Malatico

Attendance:

MDAC

Mr. Hale, Chairman
Mr. Wight
Mr. Kramer, Executive Secretary
Mrs. Lese, Committee Secretary

Defense

Mr. Martino
Colonel Green

ICA

Mr. Slaght

CIA

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State

Mr. Wright

Commerce

Mr. Hockersmith
Mr. George

Treasury

Mr. Pollak

Agenda:

Note a: Letter of Commendation for Mr. William Cargo.

Note b: Kalijarvi Letter on Polish Trade (EDAC D-132, 6/14/57).

1. Reconsideration of Objection on [REDACTED]
2. List II Quota Discussions.
3. Consideration of Defense and State proposals on policy.

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Note a: Letter of Commendation for Mr. William Cargo.

The Chairman called attention to two letters prepared by representatives of Commerce, State, and MDAC for the EDAC Chairman's signature. The first was a letter to the Honorable C. Burke Elbrick, Assistant Secretary for European Affairs, commending Mr. William Cargo, USDEL, for the distinguished performance of his assignment. The second was a letter to Mr. Cargo telling him of the EDAC structure's appreciation of his fine work and informing him of the letter which is being sent to the Assistant Secretary with the request that it be placed in his personnel file.

Note b: Kalijarvi Letter on Polish Trade (EDAC D-132, 6/14/57).

Copies of the letter from Mr. Kalijarvi to Admiral DeLany pertaining to State's position with regard to Poland were circulated to the members. The EDAC Chairman had asked the Executive Committee to study the matter and prepare pertinent documentation for EDAC consideration. The Chairman remarked that if it appears that the OC is prepared to recommend action or policy consideration in ACEP at the same time that the Executive Committee is prepared to make a recommendation to EDAC, a joint EDAC-ACEP meeting might be agreed between the Chairmen in an effort to settle the policy issues simultaneously. The State member was of the view that the Department's draft policy proposal paper would be available for Executive Committee consideration Tuesday afternoon or, at the latest, Wednesday morning. The Chairman therefore requested that the members be prepared to meet on Wednesday morning to study the State paper and to develop the necessary documentation for presentation to EDAC. [State draft telegram of instruction to the USDEL was distributed to Executive Committee members on June 19.]

1. Reconsideration of Objection on [REDACTED]
(Ref. ED/EC D-100/5, 5/15/57)

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Decision

The USDEL will be authorized to withdraw the U. S. objection to the [REDACTED] proposal to ship to Communist China 200 kilograms of hexamine BP crystals valued at \$100 with certain stipulations.

Discussion

The Chairman said that if the members felt that EDAC was the only place in which this problem could be settled he was prepared to recommend it for that group's consideration. However, in view of the small amount involved he hoped the Executive Committee could reach a satisfactory solution, either today or at a succeeding meeting.

In response to a query by the ICA member regarding the significance of this item in the Soviet's military scheme, the CIA member replied that his agency had previously registered its reaction (WG I M-104), intelligence information has not changed, and it is not believed that the hexamine will be used to make hand grenades as suggested by Defense (WG I M-104).

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After some further discussion the Chairman asked if there would be objection to telling the [REDACTED] bilaterally that we have considered the problem again and in view of the small quantity involved would withdraw our objection to the shipment. Members agreed provided the U. S. statement was qualified in the same way that an earlier German case had been. He asked the State member to check the West German case, draft a similar instruction cable and clear it with the Commerce and Defense members.

2. List II Quota Discussions.

Decision

Working Group I should consider all aspects of the List II problem which should eventually be raised in CHINCOM/COCOM discussions and, further, prepare draft statements for the guidance of the USDEL on what we would consider to be reasonable and proper China quotas, as well as a general statement on the U. S. attitude toward this problem for 1957 and 1958.

Discussion

The members discussed the problem of whether the U. S. should participate in forthcoming discussions of List II quotas for Communist China. The State member said the Department would be willing to hear the views of the other agencies concerning the position the U. S. should take in this matter but that the State Department felt that the U. S. should participate in the List II discussions. He thought it might be helpful if the interested agencies were to develop suggested guidelines for use by the USDEL.

The CIA member felt consideration should be given to the possibility of offering a proposal to subsume Communist China in the present List II quotas available to the European Soviet bloc. He said it is recognized that many of these quotas have not been significantly used, thus there exists the possibility of Communist China contracting for large shipments of List II goods between August and the end of the year. To reduce the possibility of large-scale China contracts for List II goods (which would probably never be performed), a provision should be made in the transfer of quotas that a firm contract be signed and the necessary shipping and financial papers issued prior to the end of 1957 for China to be able to import under this proposal. It seemed to the CIA member that such a condition would have the virtue of necessitating a common quota for the Sino-Soviet bloc in future trade control negotiation. This being the case it would be possible to use the strategic arguments for limitation of shipment to China as a lever to reduce the overall List II quotas established for the Sino-Soviet bloc.

The Chairman felt this was a noteworthy suggestion and asked the CIA member to thoroughly brief his Working Group I member on this line of reasoning.

The Commerce member recognized that the problem would have to be met ultimately. However, he did not feel we should "rush" to meet it, but felt we should have clear policy guidance which would enable us to compromise officially.

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It was agreed that Working Group I should commence a review of all items on List II, select those items which appear to have special significance to China, determine items on which it is unnecessary to comment, select items on which additional intelligence is needed, and determine if possible some method by which to ascertain the amount required by the Chinese civilian and military economies.

3. Consideration of Defense and State proposals on policy.

The State member reported that there would be a delay in putting his draft paper before the Committee. It was agreed that further discussion would await the State paper.

The Chairman noted that, on June 14, the Department of Commerce member had requested the return of all copies of his draft paper on policy revisions.

Distribution:

ED List Parts I & II
WG I (Limited)

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